

STATE ALLOCATION BOARD

1130 K Street, Suite 400
Sacramento, CA 95814

**IMPLEMENTATION COMMITTEE MINUTES**

August 5, 2004

Legislative Office Building
1020 N Street, Room 100
Sacramento, CA

Members Present

Bruce Hancock, SAB
Lisa Constancio, OPSC (Alternate for Lori Morgan)
Fred Yeager, CDE
Dave Doomey, CASH
Beth Hamby, LAUSD
Bill Cornelison, ACS
Debra Pearson, SSDA

Dennis Dunston, CEFPI (Mid-a.m. on)
Kathleen Moore, SSD
Dennis Bellet, DSA
Blake Johnson, DOF
Brian Wiese, AIA
John Palmer, CASBO
Gary Gibbs, CBIA

Members Absent

Jay Hansen, SBCTC

The meeting was called to order at 10:05 a.m.; there were 14 members present and 1 absent. The minutes from the July 9, 2004 meeting were approved as corrected. The minutes were corrected by adding the following statement in the Bidding Climate Report section of the minutes:

"It was also discussed that the Marshall Swift Index might not be the appropriate index for the Program."

BIDDING CLIMATE REPORT

This item is continued from the August Implementation Committee meeting. Staff members, Janna Schaffer, Heather Dougherty, Tasha Adame, Melissa Ley and Eric Bakke presented this item. Staff's presentation focused on the following for consideration and discussion:

- Change in the current Class B Index
- Modifying existing law to adjust the index more frequently
- Adjusting the State apportionment based on the bid opening date.

Staff reviewed all indices presented in the Bid Climate Report and determined that Marshall and Swift indices are Class B indices, whereas the Engineer News Report (ENR) and Lee Saylor indices were considered similar to the Class B index. It was Staff's position that using ENR and Lee Saylor indices would require a legislative change. Staff compared the three Marshall and Swift indices and determined that Marshall and Swift index/10 western states and Marshall and Swift index/San Francisco and Los Angeles do not accurately portray the bidding climate in California.

Staff's position was to change the current index to Marshall and Swift Class B index/8 California cities which best reflects construction costs in California.

There was much discussion that this was a minimal change at best and would not "fix" the bidding climate issues incurred by the school districts. There was mention that there is a subcontractor index but no index that includes all costs. The audience felt that a complete index could be created that would include building material increases and profit and overhead margin.

OPSC believes that any index other than Class B would require a legislative change and could not be addressed quickly. Staff realizes that the Marshall and Swift Class B/8 California Cities is only a "quick fix" measure but it would need only a regulatory change.

Staff will present the changes in regulation to the September IMP Committee for review and discussion and present the regulation changed to the SAB at the September 2004 meeting, so it could be in effect by January 2005.

Staff is in the process of creating a survey to better understand individual districts' issues to gain further insight on the bidding climate problems and how best to address them.

For the September IMP committee meeting, OPSC staff will prepare a grant study to determine if General Site is included in the Base Grant, in addition to the change to the regulations for discussion. Furthermore, Panama Bartholomy, DSA and Dennis Dunston, CEFPI will present a study at the next IMP meeting on Technology and ADA increases due to code change requirements. OPSC would be available to assist in the study if needed.

ENROLLMENT PROJECTION AUGUMENTATION AND STUDENT YIELD FACTOR

This item is continued from the August Implementation Committee meeting and was presented by OPSC staff members Eric Bakke, Melissa Ley and Heather Doherty. Staff clarified the provisions contained in Education Code (EC) Section 17071.75(a), which allows districts to augment its five year enrollment projection by the number of un-housed pupils that are anticipated as a result of dwelling units proposed pursuant to approved and valid tentative and final subdivision maps. It was emphasized that of the EC clearly defines in law as to what can be counted and when the counting of dwelling units can start, but it does not specify when it stops reporting dwelling units. Staff discussed two additional stopping points at the meeting.

1. *Permits Pulled, plus 12 months* – School districts would have an additional 12 months after the permit is pulled, in which to report dwelling units.
2. *Permits Pulled, plus 18 months* - School districts would have an additional 18 months after the permit is pulled, in which to report dwelling units

Staff recommended the time period of *Permits Pulled, plus 12 months* be used as the stopping point. Based on comments from the Committee and audience members, Staff will prepare a final option that will allow districts the choice of either *Permits Pulled, plus a specified amount of time* and/or the *Date of Occupancy* at the next Committee meeting. Staff will provide regulatory changes and adjustments to the forms that incorporate the new proposed language.

Proposed changes to the *School Facility Guidebook* that clarify the basis of a district's Student Yield Factor Report was also discussed. Based on comments from Committee and audience

Members, Staff will proceed with the language as presented. Additionally, the Cohort Study Projection was presented demonstrating that the statewide average student yield factors accurately portray the number of students projected in five years.

This item will be continued at the September Implementation Committee meeting.

PURCHASE AND CONVERSION OF NON-CONFORMING BUILDINGS FOR SCHOOL USE

This item is continued from the August Implementation Committee meeting. A second round of discussions was presented by staff member, Masha Lutsuk on topic of available funding for projects involving non-conforming buildings. Ms. Lutsuk presented a new funding approach for non-conforming buildings that require retrofitting. Additionally, the Education Code was clarified to explain that for purposes of the discussion, conversion cost funding does not extend to privately funded schools.

The OPSC suggested a case-by-case review of projects requesting grants that exceed the funding available under the current Regulations. Staff and the Committee did not pose any objections to using this option; however, questions were raised regarding specifics of the case-by-case review. Applicability of the 60 percent commensurate test was addressed. Staff believes that the test should not be eliminated; but rather, modified to fit projects in which part of the construction cost is represented by the value of an existing building. Another question posed during the meeting was related to the conversion of existing buildings to a non-classroom function such as school administration office and construction of a new school on the same site. OPSC staff will consider this element when drafting new Regulations for a case-by-case project review.

Staff's proposal included the use of a qualifier. For discussion purposes, 25 percent was randomly selected. This percentage applies to the value of the acquired building in relation to the amount of the per pupil base grant based on the number of pupils to be housed in the project. Staff will continue to develop the idea of the qualifier for discussion at the next meeting.

This item will be discussed at the next Implementation Committed meeting. The OPSC will continue developing the methodology for case-by-case project review that will be incorporated into new regulations.

ADJOURNMENT AND NEXT MEETING

The meeting adjourned at 3:33 p.m. The next Implementation Committee meeting is scheduled for Thursday, September 2, 2004 at 9:30 a.m. and will be held at the Legislative Office Building, 1020 N Street, Room 100, Sacramento.